UNITED STATES DEPARTMENT OF

AGRICULTURE

U.S. Market Profile for Organic Food Products

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COMMODITY AND MARKETING PROGRAMS – PROCESSED PRODUCTS DIVISION
INTERNATIONAL STRATEGIC MARKETING GROUP
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Executive Summary

Total U.S. certified organic cropland and rangeland was 950,000 hectares in 2001, up from 821,000 hectares in 2000, but still only 0.3 percent of total land in farms, according to data collected by the USDA Economic Research Service. Most certified organic cropland is in the Northeast, Upper Midwest, and Western U.S. Certified organic rangeland is primarily on the High Plains. Organic categories include field crops (fruits, vegetables, grain), animal products (dairy, meat) and processed food (beverages, prepared food, sauces). In order to be labeled "organic," food must be certified according to USDA National Organic Program regulations, which describe specific growing and handling methods. Certification is required for operations with more than $5,000 in annual sales. There were 6,949 certified organic operations in 2001, an increase from 6,592 in 2000. Production is forecast to increase in response to the growing demand for a reliable supply of consistent organic ingredients. However, the pace of conversion to organic cropland currently trails the growth of organic sales in the U.S., in part, because a three-year conversion period is required. The high cost of domestic labor is also an obstacle to meeting demand.

The Organic Trade Association reports that the value of U.S. organic food sales in 2003 was $10.4 billion, growth of 20 percent from 2002, continuing a growth pattern of between 17 percent and 21 percent since 1997. Organic food sales were 1.9 percent of total food sales in 2003, an increase from 1.6 percent in 2002. Per capita consumption of organic food was over $35 per person in 2003, nearly double the value in 1999. Organic food products can carry a retail premium, making it difficult for organics to compete based only on price. A 2004 industry study reported that 66 percent of U.S. consumers use organic products at least occasionally, up from 55 percent in 2000. Consumption has shown strong, positive growth, a trend that is forecast to continue as more consumers purchase organic products. Specific reasons for growth include increased awareness of USDA standards that clearly characterize the meaning of the term "organic," perception by some consumers that organic food is "safer," "healthier," or "better for the environment," and greater accessibility of organic food through conventional retail channels, instead of just specialty food stores.

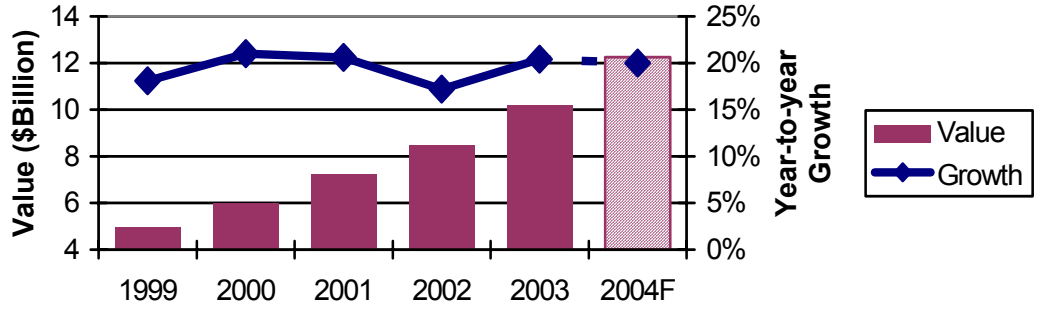
U.S. Customs does not differentiate between organic and non-organic trade, so reliable data about organic food imports and exports is not available. Analysis of production and consumption data from various sources suggests that the value of organic exports in 2002 was between $125 million and $250 million annually, and the value of imports was between $1.0 billion and $1.5 billion. Import sources include Canada, Latin America, Asia (fruits and vegetables), and Europe (processed food). The United States imports fresh fruits and vegetables, products that cannot be grown domestically (such as tropical fruit and coffee) and organic ingredients for manufactured products. In terms of trade, there is currently no uniform standard accepted by all countries for what makes a product "organic," so an accredited agent for the intended market must certify each producer or manufacturer. Major organic export products include soybeans, food ingredients, fruit juices, frozen vegetables and dried fruit. Important export markets include Canada, Japan, the European Union, Taiwan, South Korea, New Zealand and Australia.

Overview of the U.S. Market[1]

Market Size – sales value, growth, trend description

- Retail sales of organic food products sold in the U.S. was nearly $10.4 billion in 2003, up 20 percent from the previous year, according to the Organic Trade Association (OTA). Figure 1 shows that the market for organic products has grown rapidly year after year. In contrast, the conventional food industry has annual growth of 2 percent to 3 percent.

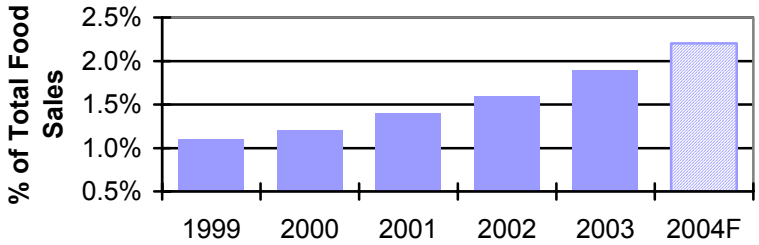
Figure 1. U.S. Organic Food Retail Sales Value and Growth, 1999- 2004



Source: OTA; Forecast: FAS

- Figure 2 shows organic food retail sales "penetration" (organic food sales as a percentage of total food sales) at nearly 2 percent after years of steady growth. Increasing penetration depends on lowering prices, making quality more uniform, and increasing distribution.

Figure 2. U.S. Organic Food Retail Sales Penetration, 1999-2004



Source: OTA; Forecast: FAS

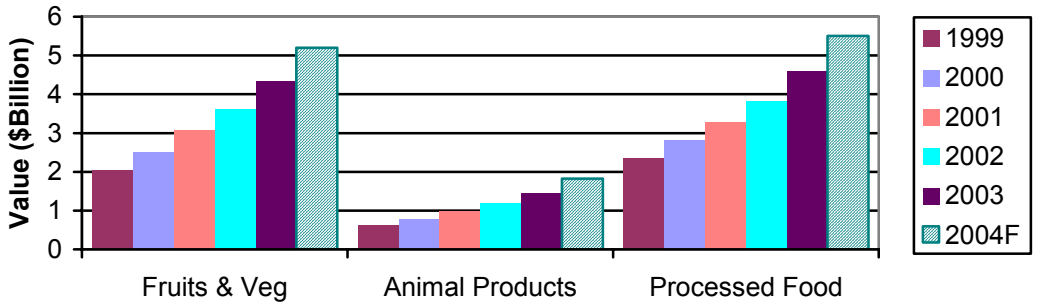
- Three factors suggest strong organic food sales growth in 2004:
  - Government standards that clearly characterize the meaning of the term "organic," and labeling that helps consumers identify those products;
  - Perception by some consumers that organic food is "safer," healthier," or better for the environment" than non-organic food; and
  - Greater accessibility of organic food through conventional retail channels.

[1]This report was compiled by James M. Tringe, Processed Products Division of FAS. Additional information on individual markets is available from FAS offices overseas, or from the Processed Products Division (PPD): Telephone: (202) 720-6343, Internet: www.fas.usda.gov/agx/AGX.html.
Disclaimer: Statistics herein are not official USDA statistics unless otherwise specifically noted.

Major Product Segment Retail Sales and Growth

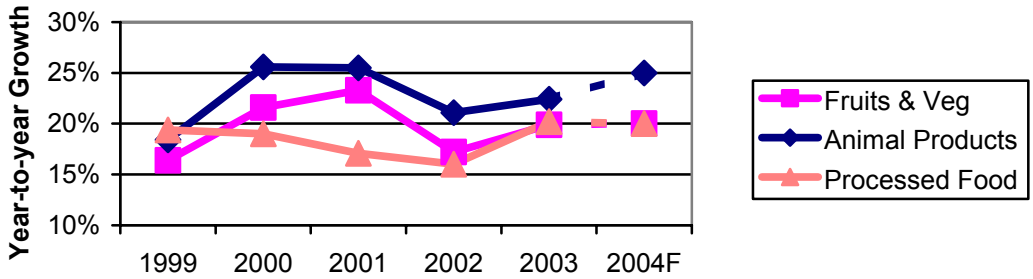
- The major organic food categories are fruits and vegetables (unprocessed and frozen), animal products (dairy, meat, fish and poultry) and processed food (breads and grains, beverages, snack foods, packaged or prepared foods and sauces and condiments). Retail sales in 2003 were $4.3 billion, $1.5 billion, and $4.6 billion respectively, as shown in Figure 3.
- Sales of all organic food segments continued to show strong growth in 2003 (Figure 4). Organic field crops have the highest penetration into total food sales, followed by processed food and animal products, as shown in Figure 5. Organic animal products are forecast to show strong growth, because of some consumers' concern about animal welfare and food safety.

Figure 3. U.S. Organic Food Retail Sales Value by Segment, 1999-2004



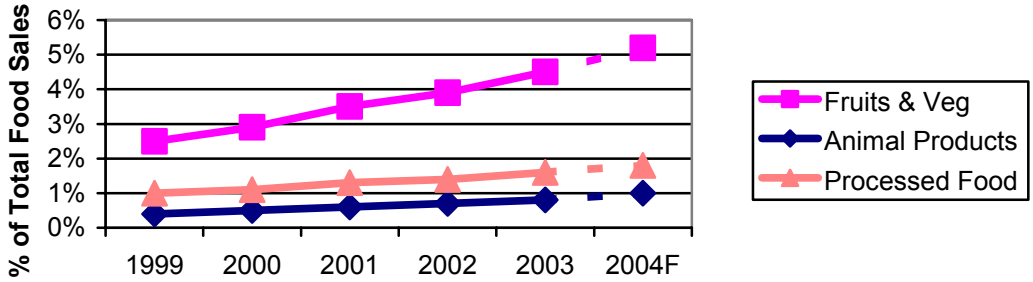
Source: OTA; Forecast: FAS (sales include exports per OTA Manufacturer Survey methodology)

Figure 4. U.S. Organic Food Retail Sales Growth by Segment, 1999-2004



Source: OTA; Forecast: FAS

Figure 5. U.S. Organic Food Sales Penetration by Segment, 1999-2004

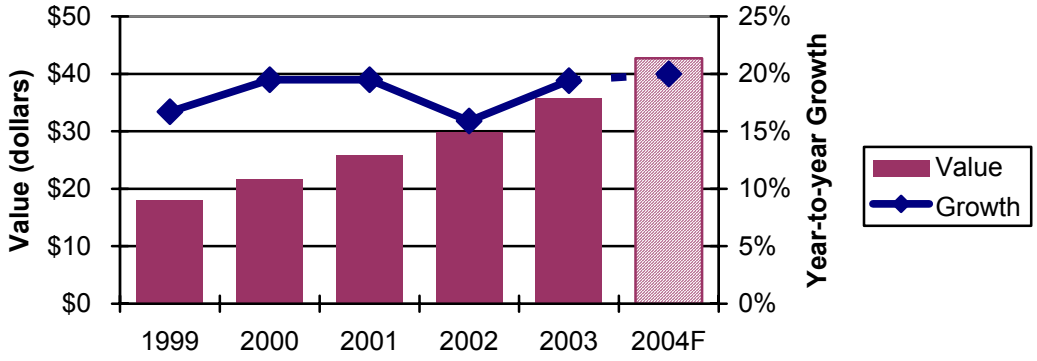


Source: OTA; Forecast: FAS

Per capita consumption over 5 years, trends, projection of demand

- Per capita consumption of organic food products by value was over $35 per person in 2003, as shown in Figure 6. Organic food consumption volume data is not available.
- Considering past growth, the pace that consumers are adopting organic products, and 1 percent annual population growth, per capita consumption by value is forecast to grow by 20 percent to around $43 in 2004.

Figure 6. U.S. Organic Food Per Capita Consumption, 1999-2004



Source: Dept. of Commerce, OTA; Forecast: FAS

- According to industry research, 66 percent of consumers currently report being users of organic products. Consumer product adoption categories are shown in Figure 7. In addition, 27 percent of the total population reports using organic products weekly.

Figure 7. U.S. Organic Food Category Adoption	
First	Produce, dairy, non-dairy beverage (soy), baby food, meat/poultry
Second	Juice, single-serving beverage, cold cereal, snacks (chips, pretzels)
Third	Frozen foods, bread, pasta sauces, canned tomatoes, salsa, hot tea, bulk goods
Fourth	Canned goods, packaged goods

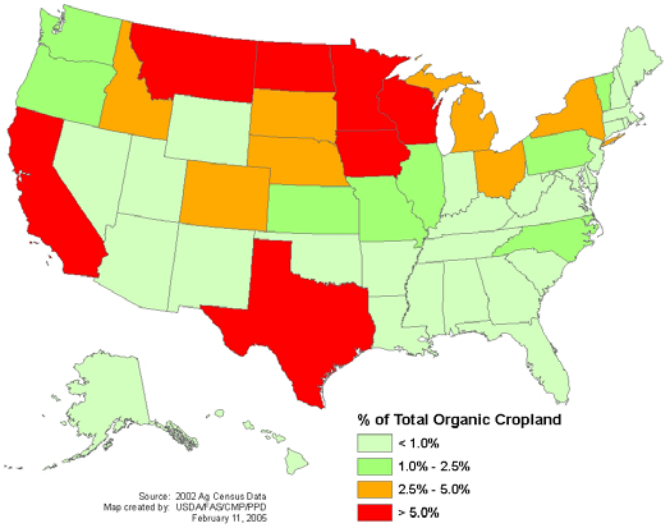
Source: The Hartman Group

Domestic Production

Total production; cropland, value of sales

- The 2002 Agricultural Census was the first National Agriculture Statistics Service (NASS) survey to collect information about organic food production in the United States. Total results are shown for the two questions farmers were asked:
    - Area used to grow certified organically produced crops (excluding pasture and rangeland): 230,000 hectares
    - Value of certified organically produced commodities sold: $400 million
- According to NASS, more farms reported organic sales (12,000) than reported certified acreage (7,250). One reason for this difference may be that certification is only required for operations with more than $5,000 in annual sales. In addition, NASS states, "The count of farms producing certified organic crops may differ from that found in other sources because this item is self reported by respondents. No attempt was made to verify reports with certifying organic organizations."
- The Economic Research Service (ERS) also compiles the area of certified organic cropland, using different methodology. Data compiled by ERS from individual organic certifiers indicates that there were 530,000 hectares of organic cropland and 420,000 hectares of organic rangeland under management of 6,950 operations in 2001.
- Researchers at the University of California at Davis report that farm sales of organic food in California were $250 million in 2002 and $325 million in 2003, according to California Department of Food and Agriculture data. NASS reported California farm sales of $150 million in 2002.
- Despite the absolute differences between NASS and ERS data, the state-by-state distribution of total U.S. organic cropland (excluding pasture and rangeland) was well correlated. Figure 8 shows the distribution of organic cropland in the U.S. using NASS data.

Figure 8. Geographic Distribution of Organic Cropland, 2002



Source: NASS Ag Census, 2002

Production trends, including policies that affect supply

- According to data collected by ERS, privately certified organic cropland for major field crops more than doubled from 1992 to 1997, and doubled again between 1997 and 2001. The poultry and dairy livestock sectors grew even faster.
- Federal support for organic production appeared for the first time in the Farm Security and Rural Investment Act of 2002.
    - In 15 states, a USDA cost share program is available to reimburse producers up to 75 percent of the cost of getting certified as an organic producer, up to a maximum of $500.
    - Organic producers who produce only organic products are exempt from paying conventional marketing assessments (a.k.a. "check offs").
    - Grants are available for research, education, and extension activities that will promote organic agriculture.
- Unlike some countries in Europe, there are no government payments available to U.S. farmers during the mandatory three-year transition period between conventional and organic farming. Also, with the exception of some Environmental Quality Incentives Program (EQIP) funding for conservation projects in a handful of U.S. states (including Iowa and Minnesota), there are no direct government payments specifically for organic farming, as there are in some countries in Europe.

Consumer trends, including policies that affect demand

- Organic food can now be found in mainstream retail outlets, and not just natural products or health food stores.
- Some consumers choose organic meat, because of concern about animal disease and animal welfare. Organic livestock, according to NOP guidelines, are raised using organic feed, and without the use of antibiotics or hormones. According to OTA, organic meat, while the smallest sales category in 2003, is growing the fastest.
- Organic food, according to NOP guidelines, cannot be grown from biotech seeds. Some consumers choose organic food as an alternative to food produced using biotechnology.
- Some consumers choose organic food in order to minimize their exposure and the exposure of their children to substances that are not approved by the National Organic Standards Board.

Trade

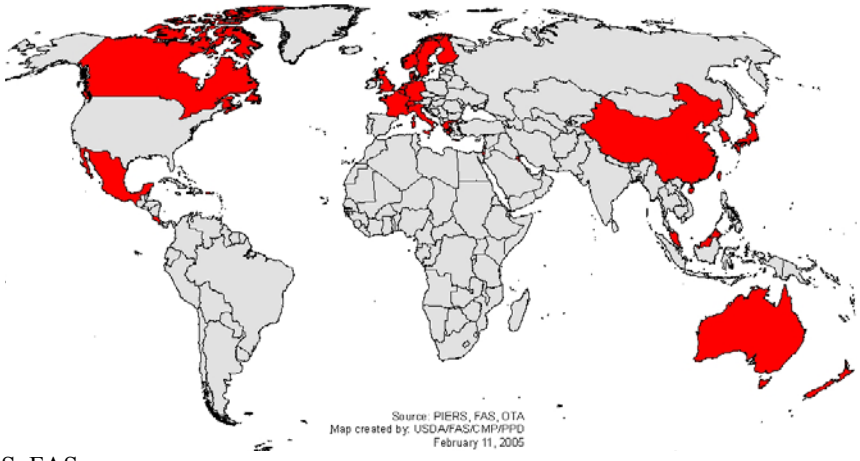
Total U.S. exports

- In 2002 the value of U.S. organic food product exports was estimated at between $125 million and $250 million.[2]
- According to industry data, the value of organic food exported to Canada was between $75 million and $150 million, and the value of organic food exported to other destinations was between $50 million and $100 million. Major organic exports include soybeans, food ingredients, fruit juices, frozen vegetables and dried fruit. Government sources indicate that organic processed foods make up the majority of organic products exported to Canada.
- Limited analysis suggests that a smaller percentage of total production of organic produce is being exported than conventional produce, as U.S. organic production struggles to keep pace with domestic demand.

Top 5 destinations for U.S. exports (countries), trends; barriers to trade

- Canada, a partner in the North American Free Trade Agreement (NAFTA) with the U.S. and Mexico, is, by far, the largest market for U.S. organic exports. Ag Canada estimated that two-thirds of Canada's consumption of organics comes from imports, and USDA estimated in 1997 that 85 percent to 90 percent of Canada's organic imports were from the U.S.
- After Canada, the top destinations for U.S. organic exports over the past five years have been Japan, the European Union, Taiwan, South Korea, New Zealand and Australia (Figure 9).
- Consumers, worldwide, are increasingly aware of organic labeling, so having the proper label for the export destination is an important marketing consideration.

Figure 9. Top Destinations for U.S. Organic Exports, 2003



Source: PIERS, FAS

[2] Exports estimated using OTA and USDA data. Export value approximates "free alongside ship" (f.a.s.), which includes cost, inland freight, and insurance.

Imports by value, types of products

- The estimated value of U.S. organic imports in 2002 was between $1.0 billion and $1.5 billion, based on analysis of production and consumption data from government and industry reports.[3] There are no official statistics about U.S. organic food imports, because U.S. Customs' method for tracking imports does not distinguish organic food from other food. For example, organic soybeans are no different from any other soybeans under the current system.
- In the future, it may be possible to track organic trade through its certification status. For example, using a trade database, it may be possible to calculate the value of all products that importers and exporters declare *USDA ORGANIC*. The initiative to create this kind of database is part of the Automated Commercial Environment (ACE), International Trade Data System (ITDS), a multi-agency effort.

Top 5 sources for U.S. imports

- Latin America supplies organic raw ingredients, including fats and oils, fruit, and cocoa for processed products, as well as fresh produce, to the U.S. market. Latin American countries, including Mexico, Brazil, Argentina and Uruguay, have a large supply of labor that is needed for organic production methods.
- Asian countries, such as China, India and Thailand supply raw ingredients, including soybeans and frozen fruits/vegetables, for processed organic products.
- Organic agriculture in Europe is well established, and the U.S. imports many European processed organic products, such as pasta, olive oil, wine and tomatoes.

U.S. balance of trade over 5 years

- The United States was at one time a net exporter of organic food, but as a result of strong domestic market growth over the last 10 - 15 years, it is estimated that the value of U.S. imports now exceed exports by a ratio of approximately 8 to 1.
- Organic standards agreements between countries require complex negotiations, and, so far, Japan is the only country that has agreed to accept organic products certified to the USDA standard. The United States has recognized the governments of Canada (British Columbia and Quebec), New Zealand, Denmark and United Kingdom as able to accredit certifiers, to certify products to the USDA standard. Producers in these countries can export products bearing the *USDA ORGANIC* seal to the U.S.

Tariff chart for US exports by major regional destinations

- Tariffs will depend on individual products. Since there are no Harmonized System codes specifically for organic food, there are no specific tariffs.[4]

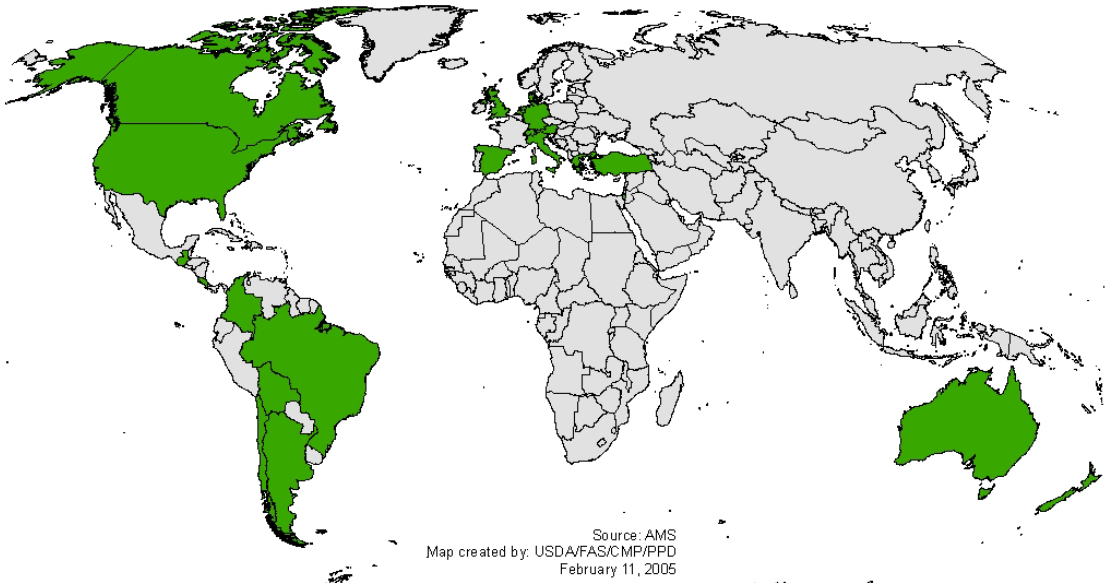
[3] Import value approximates cost, insurance, and freight (c.i.f.) value at the first port of entry into the United States.
[4] Refer to http://www.fas.usda.gov/scriptsw/wtopdf/wtopdf_frm.asp for specific tariffs by country.

Competitive Analysis

Domestic vs. import market share; products, market position

- In 2002, imports accounted for a significant portion of domestic consumption by value. The United States imports a significant amount of organic raw ingredients used in organic processed food.
- Similar to conventional fruit and vegetable marketing, organic produce imports supplement domestic production during winter in the Northern Hemisphere. Fresh organic animal products (primarily dairy) are supplied almost exclusively by domestic production.
- There is strong foreign interest in supplying the U.S. organic food market with raw materials. Either a domestic or foreign Accredited Certifying Agent (ACA) can certify that products for import by the United States meet NOP standards. The number of organic USDA Accredited Certifying Agents stands at 97 (56 domestic, 41 foreign) as of February 2005. For example, there are currently no Accredited Certifying Agents based in Mexico (Figure 10), but an Accredited Certifying Agent based in the United States can certify an organic producer in Mexico. After being certified by an Accredited Certifying Agent, products meeting the NOP standards and labeling requirements can be imported to the United States. Industry observers note that U.S. producers do not have reciprocal access to foreign markets. Equivalency determinations and parallel trade agreements regarding the standards governing organic production would have a positive effect on the balance of trade between the United States and foreign countries.

Figure 10. Countries with a USDA Accredited Certifying Agent, February 2005



Source: AMS

Price and quality position of competitors

- Farm labor costs in developing countries are lower than in the United States. Organic food production often requires more management and human labor than conventional methods, in order to substitute for chemical herbicides, pesticides and fertilizers. Organic food suppliers in developing countries have a competitive advantage in labor-intensive organic food production. In California, the practice of weeding agricultural fields with a short-handled hoe was outlawed in 1975. In 2004, the California Occupational Safety and Health Division outlawed hand-weeding, but organic farmers, who rely on the practice, are exempt from the rule. Some observers consider California to be a world leader in farm labor rights.
- Canadian producers claim that they are well suited for organic production because the growing season is short, which reduces pressure from insects and weeds.
- Farmers in the European Union receive direct subsidies for growing organic crops, and the amount depends on the country, and what they grow. In 2004, EU benefits were extended to 10 additional countries where costs are much lower than in Western Europe.
- Foreign suppliers certified by USDA accredited agents are able to meet domestic manufacturers' volume and quality requirements for many products.
- In some foreign markets, some consumer attitudes/opinions about biotech food have created an opportunity to increase U.S. organic exports. Organic food is currently the only U.S. food product available to foreign importers that is grown from certified non-biotech seeds. However, organic certification standards are process-based, so while the use of non-biotech seeds are mandatory, the ultimate biotech content of organic food cannot be guaranteed due to the possibility of the adventitious presence of biotech material.
- Figure 11 shows some of the opportunities and challenges facing the U.S. organic food industry.

Figure 11. U.S. Organic Food Industry Competitive Considerations

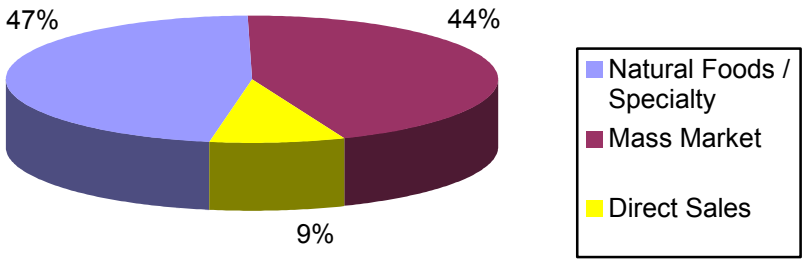
Advantages/Opportunities	**Challenges/Constraints**
Certified *USDA ORGANIC* label	Reliable supply of consistent ingredients
Consumer awareness of food production methods	Labor intensive production methods
Consumer willingness to pay a premium	Compatibility of organic/biotech
Products available from mainstream retail outlets	Different organic standards for various foreign markets
Federal research and marketing funds support organic farming	Undersupply of organic planting seeds

Market Organization and Distribution

Description of distribution channels; domestic suppliers, importers/wholesalers, distributors, type of retailers

- Organic food products are sold through several types of retail outlets, including natural food independent and chain grocery stores, mass-market grocery stores and various forms of direct sales (Figure 12).
- Over the past 10 years, there has been a major shift in the share of organic sales by selling venue. In 1995, natural products retailers (1 percent of all U.S. food stores) sold two-thirds of all organic food. In 2000, conventional supermarkets (99 percent of all U.S. food stores) sold nearly 50 percent of all organic food. Organic food sales have grown as more products become available through mass-market grocers.
- Premium prices combined with strong sales growth have been an irresistible combination for mass-market retailers, most of whom now carry a variety of organic products.
- The most common direct sales outlet is a "farmers' market," which has dramatically increased in popularity in recent years. According to ERS research, many customers who support farmers' markets appreciate having direct access to farmers that use organic production methods on their farms.

Figure 12. U.S. Organic Food Retail Outlets, Percentage of Retail Sales 2003



Source: OTA

Typical marketing and promotion support

- Organic food sales benefit from some consumers' attitudes/opinions about food safety, environment and health concerns.
- Use of the certified *USDA ORGANIC* seal has made it easier for consumers to identify organic food products.
- The concept of "organic" production goes beyond the food, and describes ecologically sensitive production methods and resource utilization philosophies.
- Some retailers have introduced private label organic brands to capitalize on the popularity and growth of these kinds of products.
- ERS research suggested that some customers' reluctance to purchase organic foods might have less to do with actual prices than with expected prices for organic products.

Key market segments; Price segments, mark-up structure and other costs within each segment

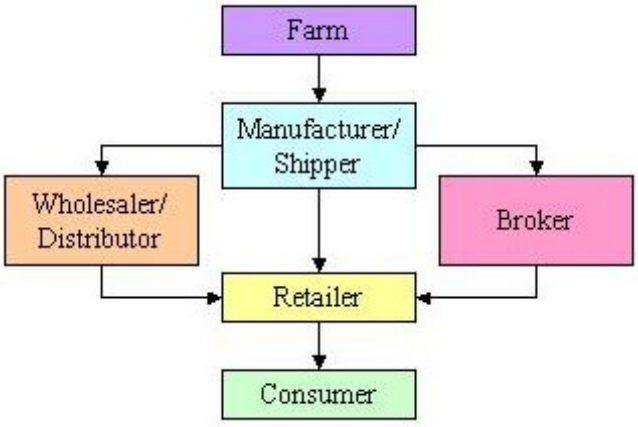
- The key market segment for organic products is retail, but some products are sold through food service, such as organic restaurants and cafeterias.
- The mark-up structure for organic food is comparable to the mark-up structure for conventionally grown food, the difference being that the organic food retail price can be considerably higher, based on Rodale Institute surveys (Figure 13). The premium varies depending on the product and the sales venue. ERS research shows that, at farmers' markets, price premiums for organic produce were modest and often not charged.

Figure 13. Organic Retail Price Premiums	
Milk, Butter	50 – 100%
Fruit	0 – 50%
Vegetables	50 – 150%
Beef, Chicken	100 – 150%
Corn, Soybeans	100 – 150%

Source: Rodale Institute

- Increased demand for organic products, among other factors, has allowed retailers to charge a premium.
- Some organic food is more expensive because organic production systems incorporate nitrogen-building and other non-cash crops into their crop rotations over time. Despite lower input costs, organic farmers expect to receive a premium in order to offset the cumulative effect of including non-cash crops.
- Organic certification labor costs are also reflected in the retail price. A USDA-accredited agent must inspect and certify every link in the distribution chain. Keeping certified organic food segregated from other food adds additional cost.
- A typical distribution channel for organic products is shown in Figure 14. According to OTA, due to the highly fragmented and regional nature of the organic food manufacturing base, and a lack of dominant brands, it is estimated that two-thirds of the organic food volume goes through distributors.

Figure 14. U.S. Organic Food Distribution Channels



Source: industry interviews.

Regulatory issues

License Requirements

- Congress passed the Organic Foods Production Act of 1990 for organically produced commodities to establish national standards. The legislation was implemented on October 21, 2002, using rules put forth by the USDA. Prior to USDA standards, there were several state and regional standards in use. The lack of a single, government-sanctioned, easily recognizable standard was a barrier to adoption by mainstream consumers.
- USDA rules require that all organic farmers and handlers be certified according to the NOP uniform standard by a USDA NOP accredited by a State or private agency.
- Exceptions include growers and handlers that sell less than $5,000 a year in organic agricultural products, and retail food establishments that sell organically produced agricultural products but do not process them.

Labeling

- The *USDA ORGANIC* label (Figure 15) can apply to meat and non-meat products. The FDA traditionally regulates non-meat animal product and other food product labeling, and the USDA regulates meat product labeling.

Figure 15. *USDA ORGANIC* Seal

Source: USDA/AMS

- The USDA has four organic labeling categories, illustrated in Figure 16.
  - **100% Organic** – made with 100 percent organic ingredients
  - **Organic** – made with 95 percent to 100 percent organic ingredients
  - **Made With Organic** – made with 70 percent to 95 percent organic ingredients
  - No label on front of box – made with up to 70 percent organic ingredients
- Only products meeting the **100% Organic** or **Organic** criteria may display the *USDA ORGANIC* seal. The *USDA ORGANIC* seal was introduced in October 2002.

Figure 16. Four Organic Labeling Categories

Source: USDA/AMS

Conclusions

- The U.S. market for organic food products, including field crops, animal products and processed food, has shown strong growth over the last ten years, and is forecast to continue to grow in the future.
- There are three major reasons for a strong growth outlook:
    - The *USDA ORGANIC* seal allows consumers to easily identify products that meet well-defined standards.
    - Some consumers perceive that organic food is "safer," "healthier," or "better for the environment" than non-organic food.
    - Organic products can increasingly be found in mainstream retail outlets.
- The value of U.S. organic imports likely exceeds exports by a ratio of approximately 8 to 1. A major barrier to understanding the volume of trade, or trends in exports and imports, is the lack of a reliable source of data. U.S. producers do not know what types of organic products are being imported, so they are not able to compete with imports by producing the product domestically. Farm policy-makers are also unaware of the value and type of organic imports, so they are not able to provide domestic support to U.S. producers. A parallel challenge is establishing equivalency of organic definitions between countries, because without regulations that define "organic," U.S. suppliers have limited access to foreign markets.
- Dan Glickman, U.S. Secretary of Agriculture during which the USDA ORGANIC seal was implemented, clarified the marketing emphasis that the seal would carry. "The organic label is a marketing tool," he said. "It is not a statement about food safety, nor is 'organic' a value judgment about nutrition or quality. For consumers, the organic standards offer another choice in the marketplace." However, the seal does not specify country of origin, nor does it help promote exclusively U.S. organic products to foreign markets.

Appendix A

Study Objectives

The purpose of this study is to give a general description of the U.S. market for organic food products. The perspective will be forward looking, using historical data as background.

Definition of Product

The Organic Foods Production Act of 1990 (OFPA), part of the 1990 Farm Bill, authorized the Secretary of Agriculture to appoint a 15-member National Organic Standards Board (NOSB). The main mission of the NOSB is to assist the Secretary of Agriculture in developing standards for substances to be used in organic production. The board is currently comprised of four farmers/growers, two handlers/processors, one retailer, one scientist, three consumer/public interest advocates, three environmentalists and one certifying agent. NOSB gives the following definition of "organic":

> Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. It is based on minimal use of off-farm inputs and on management practices that restore, maintain and enhance ecological harmony.
> "Organic" is a labeling term that denotes products produced under the authority of the Organic Foods Production Act. The principal guidelines for organic production are to use materials and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.
> Organic agriculture practices cannot ensure that products are completely free of residues; however, methods are used to minimize pollution from air, soil and water.
> Organic food handlers, processors and retailers adhere to standards that maintain the integrity of organic agricultural products. The primary goal of organic agriculture is to optimize the health and productivity of interdependent communities of soil life, plants, animals and people.

The USDA Agricultural Marketing Service (AMS) implemented the National Organic Program (NOP) standards in 2002, which have bolstered the ability to promote U.S. organic food in domestic and foreign markets. Almost every food product can be organically produced. The NOP regulatory text gives the following definition of "organic production":

> A production system that is managed in accordance with the Act and regulations in this part to respond to site-specific conditions by integrating cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity.

This report draws from a variety of sources, and the USDA Foreign Agricultural Service (FAS), Processed Products Division is responsible for all forecasts contained herein.

Methodology and Sources

The Organic Trade Association (OTA) is the membership-based business association for the organic industry in North America. The OTA uses eight categories of organic foods in their market research publication.[5] Those categories are dairy, bread and grains, beverages (including non-dairy), fruits and vegetables, snack foods, packaged/prepared foods, sauces/condiments and meat/fish/poultry. The USDA Economic Research Service (ERS) uses slightly broader categories that include more farm products, such as oileeds, legumes and eggs.[6] This report summarizes the categories as field crops, animal products and processed food.

Data about organic food is unique in several ways. For example, 2002 was the first year that USDA's National Agricultural Statistics Service (NASS) asked farmers questions about organic production in the Agricultural Census. Also, the Department of Commerce does not report on organic product manufacturing or trade. In this report, trade was estimated using a combination of data from OTA, NASS and ERS. The OTA 2004 Manufacturer's Survey reported that retail sales of manufactured organic products were $8.6 billion ($5.6 billion wholesale) in 2002. The survey methodology implied that manufacturers use domestically produced and imported raw materials in their organic products. Using ERS data for "farm value share" for the various product types (35 percent for animal products, 20 percent for fruits and vegetables, and 5 percent for grains and processed foods), it was estimated that the overall "farm value share" of organic raw material was around 15 percent. The farm value of organic sales reported by OTA was estimated to be $1.3 billion. The domestic share of raw material for the organic product types was estimated to be roughly 60 percent to 75 percent (95 percent for dairy, and 50 percent to 70 percent for the others), with a farm value of $0.8 billion to $1.0 billion. This assumption is reasonable considering that a large proportion of conventionally grown fruits and vegetables consumed in the U.S. are imported, and fruits and vegetables make up over 40 percent of all organic sales. Another source for the farm value of domestic organic production is the NASS Ag Census. The 2002 survey reported the farm value of domestically produced certified organically commodities at $0.4 billion, produced by 12,000 farms. In a separate response, farmers indicated that 230,000 hectares of cropland were used to raise certified organic crops on 7,250 farms. Other ERS data indicates that, in 2001, certified organic cropland was 530,000 hectares on 6,950 farms, more than double the certified area reported in the NASS survey. By increasing the farm value of certified organic commodities reported by NASS to $0.8 billion to $1.0 billion, it is possible to reconcile the estimate that 25 percent to 40 percent of organic raw material is imported. Using these assumptions, imported organic raw material had a farm value of $0.3 billion to $0.5 billion, and import value of between $1.0 billion and $1.5 billion in 2002. This is also supported by anecdotal evidence that the United States imports significantly more organic products than it exports, and exports are valued at between $0.125 billion and $0.250 billion.

[5] Organic Trade Association's 2004 Manufacturer Survey
[6] "Recent Growth Patterns in the U.S. Organic Foods Market"

Appendix B

Sources

Organic Trade Association
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